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CENTRAL INTELLIGENCE GROUP  
INTELLIGENCE REPORT

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COUNTRY China

SUBJECT Political Information: General CH'EN Ch'eng's  
Anti-Corruption Campaign in Manchuria

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INFO. See below

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SUPPLEMENT

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Note: Since CH'EN Ch'eng was appointed supreme commander for Manchuria there have appeared in the local press many stories of his campaign against corruption. A United Press report from Nanking dated 31 August 1947 gave the following account: "...Administratively Chen said he will show no mercy toward corruption and abuse of official power. He indicated he would mete out capital punishment to culprits. He said 'to save the people we must kill people.' He said when he was in Mukden the last time, many cases of corruption mostly in the Committee of Combined Services were brought to his attention such as coercive occupation of factories and theaters by army men, wastage of ammunition and other supplies and sale of public property for private profit. He said corrupt officials remitted about ten billion dollars monthly to their families in China proper...."

A United Press report from Peiping dated September 16 and appearing in the Shanghai Evening Post states: "Press reports from Mukden said today General CH'EN Ch'eng, head of the Generalissimo's headquarters in the Northeast, had acted against absenteeism among government officials. Appearing without warning in various government offices, the report said, CH'EN Ch'eng personally called the roll and ordered summary dismissal of all officials absent. The U. Shih Kuo said 'as a result, all officials now come to work on time.' See paragraph 7.

There have been other news stories recounting the execution of military officers.)

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- CH'EN Ch'eng's anti-corruption campaign appears to be in earnest in that several arrests have been made and some junior military officers have been executed but no major figure has been held. CH'EN attempted to banish CHAO Chia-hsiang (趙家驤), former Chief of Staff of the NAC, and General PENG Pi-sheng (彭壁生), commander of the Mukden garrison, to mediocre positions in Chinchou and Changchun but he has been more or less forced to recall them to act as mediators with the Huangpu Clique men who control most of the Nationalist troops in Manchuria. CH'EN attempted to get rid of CHAO because of the latter's corrupt activities on behalf of General TU Yu-ming, HSIUNG Shih-hui and other top-ranking generals who could not afford to have personal contact with graft.

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- One of the purposes of the Generalissimo's recent (early October) trip to Manchuria was to reprimand the Huangpu generals for not cooperating with CH'EN.

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3. FU Tsung-liang (傅宗良), Commanding Officer of the Peace Preservation Corps Unit which defended the airfield during the battle of Erpingchieh in June 1947, was one of a group of officers ordered arrested by General CH'EN Ch'eng on 7 September 1947. The order for this arrest appeared in the Mukden newspapers on 7 September, but no move was made to pick up the men until 10 September. By that time General FU had escaped to Shanghai. LI Hsiu-yeh (李修業), Director of the Japanese Civilian and Prisoner of War Administration (? of the NECC ?) was in Peiping at the time the arrest order was published. His wife, in Mukden, wired him to remain in Peiping and she flew there to join him. LI Yee-tzu, nationalist commander at Fenchihu, remained in Mukden and is now in prison. His car and house have been confiscated although servants are allowed to remain in the house until it is assigned to another person.

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4. General CH'EN Ch'eng has wired General SUN Lien-chung in Peiping requesting that WEN Chiang, former chief of G-2 of the NECC, be returned to Mukden to be questioned regarding corruption. No reply has been received from General SUN and it is believed that WEN is in hiding. WEN will be asked about a recent deal regarding six carloads of soya beans shipped to Tientsin in exchange for cigarettes which were sold in Mukden at a great profit. (Note: At present there is a drive in Mukden to stop the sales of imported cigarettes; this is in line with the overall policy of prohibiting sale of luxury goods.)

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5. A friend of WEN Chiang told [redacted] that General CH'EN Ch'eng ordered WEN to turn over to him all evidences of the corruption of General TU Yu-ming. Since WEN refused to do this, there has developed an unfriendly feeling between him and CH'EN. On 11 October a Nationalist general [redacted] there was an unconfirmed rumor that WEN had been arrested. On 21 October, a HIS agent in Peiping [redacted] WEN had been released from arrest and was in Peiping and that he would be given MA Han-san's present position. (Note: MA's position in intelligence work, civil administration, or both?) MA will be promoted because of his recent good work in connection with the arrest of Communists in Peiping. WEN will go to Peiping from Mukden to be Chief of the Peace Preservation Office. [redacted] indicates that WEN failed to return to Mukden and is reported to be in Nanking.)

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General CH'EN has appointed a special investigator to check all banks in Mukden to secure the names of persons who have remitted money to China proper or who have borrowed large sums. Many persons have been arrested as a result of this investigation. An investigation of officers' billets has been started. This has resulted in the turn-over of certain buildings to their original owners. A number of high-ranking officers have left the Yamato Hotel as it is probably impossible for these persons to explain how they can afford to live there on their military pay. The austerity program is being enforced. Military personnel have been ordered to stay away from restaurants and dance halls. If the military are prevented from spending money in this fashion it is possible that one temptation toward corruption will be removed. Not one of all those arrested has been brought to trial.

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7. When CH'EN assumed command in Manchuria, one of his first acts was the reorganization of the G-2 and G-3 sections. Personnel from the NECC, from General HSIUNG's headquarters, and from Nanking were incorporated into a group which theoretically would be far superior to the old G-2 and G-3 sections. Many key men were removed and sent to the field because they had been too closely associated with General TU Yu-ming and General HSIUNG. These men were the ones who had been running the sections, and those who remained had never done much of the work. The loyal group brought from Nanking by CH'EN were not sufficiently familiar with the situation, and yet, all decisions rested with them. Those who remained in the sections were bitter because their friends had been banished and they believe that they, too, will be dropped when the Nanking group is able to operate without their assistance. Under the NECC the G-2 and G-3 sections were notoriously inefficient and most of the work was done by a few persons with the others putting in time. Now, all members of these sections appear to be occupied, but it is merely a show to impress CH'EN who often makes surprise visits. The quality of information from G-2 has deteriorated greatly, and there probably are no really capable men in the G-3 section. The old group appears to be content to carry on as usual and let the Nanking group blunder along with as little assistance as possible.

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General TU Yu-ming, in an interview on 21 October, expressed the opinion that CH'EN Ch'eng was making a great mistake to attempt political and economic reforms in Manchuria before the Nationalists were masters of the military situation. General TU stated that he hoped to be back in Manchuria within six months.

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